

Selvita

Out-licensing deal

Pharma & biotech

Menarini Group in-licensed SEL24

Today Selvita announced that it has out-licensed its lead asset SEL24 (dual PIM/FLT3 kinase inhibitor) to Menarini Group making it the first deal for a proprietary clinical-stage asset. Selvita will be responsible for the continuation of the current Phase I/II trial for acute myeloid leukaemia (AML) with the first patient enrolled earlier this month until the estimated takeover of the trial by Menarini at end-2017. Furthermore, both companies will collaborate on additional preclinical research on PIM/FLT3 targets. The upfront payment is €4.8m, with Selvita eligible for a total of €89.1m in potential milestone payments, and non-specified single to low-double digit royalties and cost sharing.

	Revenue	PBT*	EPS*	DPS	P/E	Yield
Year end	(PLNm)	(PLNm)	(PLN)	(PLN)	(x)	(%)
12/14	41.6	5.4	0.56	0.0	N/A	N/A
12/15	56.1	7.5	0.84	0.0	N/A	N/A
12/16e	67.6	3.7	0.28	0.0	N/A	N/A
12/17e	76.9	3.3	0.24	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

We have already included a licensing deal in our model assuming \$15m (€14m) in upfront, \$70m (€64m) in R&D milestone payments and a 5% royalty. While the upfront payment is slightly lower that our estimate, milestone payments compare well (although Selvita did not specify the spilt of R&D versus commercial milestones). Moreover, negotiated single to low-double digit royalties appear to be higher than our 5% estimate, so overall we view the deal terms as favourable and broadly in line with our expectations. Selvita will report its FY16 results on 19 April. We will update our operational forecasts, deal terms and valuation following the results.

As we discussed in our <u>previous report</u>, standalone FLT3 inhibitors gathered interest in blood malignancies, after a seven-year Phase III study with midostaurin from Novartis showed survival benefit and a 23% reduction in risk of death for AML patients. The FDA granted breakthrough therapy designation and a priority review in November 2016 to midostaurin's NDA application. In our view, SEL24 is differentiated from competitors given its dual mechanism of action.

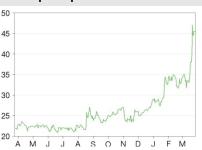
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N/A

Price	PLN45.3
Market cap	PLN607m
Estimated net cash (PLNm) at 31 December 2016	26.1
Shares in issue	13.4m
Free float	45%
Code	SLV
Primary exchange	WSE

Share price performance

Secondary exchange



Business description

Selvita is a drug discovery services provider based in Poland. It employs c 380 staff (34% with PhDs) and operates two main business units: the Innovations Platform (internal NME pipeline) and Research Services (medicinal chemistry/biology, biochemistry).

Analysts

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Edison profile page

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